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O 110259Z DEC 73 ZYM ZFF-1 ZFF-4
FM THE SITUATION ROOM TOHAK33

TO AMEMBASSY BRUSSELS

~~TOP SECRET~~/SENSITIVE CONTAINS CODEWORD WH37521

TOHAK 33

TO LARRY EAGLEBURGER FOR SECRETARY KISSINGER

DELIVER D.O.B.

DECEMBER 11, 1973

MEMORANDUM FOR SECRETARY KISSINGER

MORI PER C03342219

FROM: THE SITUATION ROOM

SUBJECT: MORNING REPORT

DEVELOPMENTS IN SINO-SOVIET RELATIONS: THE WAR OF POLEMICS BETWEEN MOSCOW AND PEKING CONTINUES UNABATED, BUT THERE ARE SIGNS THAT THE TENSION MARKING SINO-SOVIET RELATIONS IN MID-SUMMER HAS DIMINISHED. PEKING'S MESSAGE TO MOSCOW ON THE OCCASION OF SOVIET NATIONAL DAY IN EARLY NOVEMBER WAS NOTABLY LESS ACERBIC THAN LAST YEAR'S, AND THE SOVIET RESPONSE CONTAINED SOME POSITIVE STATEMENTS. THERE HAS, HOWEVER, BEEN NO BREAKTHROUGH IN THE LONG-STALLED BORDER TALKS. IN FACT, MOSCOW IS SUGGESTING THAT UNLESS PEKING RESPONDS TO A PROPOSAL IT MADE IN JUNE FOR A NONAGGRESSION TREATY, IT MAY DOWNGRADE THE TALKS BY NOT SENDING ITS CHIEF NEGOTIATOR BACK TO CHINA. DESPITE THESE DIFFERENCES, RECENT VISITORS TO PEKING HAVE OBSERVED THAT THE CHINESE ARE FAR MORE RELAXED ABOUT THE "THREAT FROM THE NORTH" THAN EARLIER THIS YEAR. THIS IS NOT ONLY BECAUSE OF PEKING'S READING OF THE MORE POSITIVE SIGNALS COMING FROM MOSCOW, BUT ALSO BECAUSE CHINESE PERCEPTIONS OF THE GENERAL

***** WHSR COMMENT *****

MCFARLANE, SEC FLE

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ON-FILE NSC RELEASE
INSTRUCTIONS APPLY

STATE, NSA, DIA,
NSA Reviews
Completed.

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INTERNATIONAL SITUATION HAVE CHANGED.

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- FRUSTRATION OVER U.S. MILITARY SALES RESTRICTIONS EXISTENT IN 1972;
- PRESUMABLY UNBEATABLE SOVIET PRICES;
- RIVALRY WITH CHILE;
- A DESIRE TO SHOW THAT PERU IS A NON-ALIGNED, INDEPENDENT MEMBER OF THE THIRD WORLD; AND
- A DESIRE TO FURTHER RADICALIZE THE PERUVIAN REVOLUTION.

THE QUESTION REMAINS WHETHER THE PURCHASE IS A ONE-TIME TRANSACTION OR PART OF A LONGER-TERM PLAN OF MILITARY COOPERATION WITH THE SOVIETS. THE EMBASSY'S INITIAL CONCLUSION IS THAT PERU BOUGHT THE TANKS BECAUSE THE PRICE WAS RIGHT AND TO ASSERT ITS INDEPENDENCE -- AND THAT IN THE FUTURE, THE PERUVIAN GOVERNMENT WILL BUY ARMS FROM WHATEVER SOURCE OFFERS THE BEST TERMS. THE EMBASSY BELIEVES THAT THE U.S. SHOULD NOT OVERREACT TO THE PURCHASE OF SOVIET ARMS, WHICH MIGHT HAVE BEEN AVOIDED HAD OUR ARMS SUPPLY POLICIES BEEN MORE LIBERAL IN RECENT YEARS. THE EMBASSY FURTHER BELIEVES THAT THE MAIN OBJECTIVES OF OUR POLICY SHOULD BE TO TRY TO PERSUADE PERU TO LIMIT FUTURE PURCHASES OF SOVIET ARMS WHILE, AT THE SAME TIME, LIFTING RESTRICTIONS ON U.S. ARMS SALES IF WE DO NOT WANT TO CONTINUE TO LOSE SUCH SALES TO THE USSR AND THE EUROPEANS.

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COMMUNIST INFILTRATION: DEFENSE INTELLIGENCE AGENCY ESTIMATES THAT SINCE THE JANUARY CEASE-FIRE, NORTH VIETNAM HAS INFILTRATED SOME 172,000 TONS OF ALL TYPES OF SUPPLIES INTO THE SOUTH, INCLUDING SOME 35,000 TONS OF AMMUNITION. NVA/VC IN-COUNTRY AMMUNITION STOCKPILES ARE BELIEVED SUFFICIENT TO SUPPORT A 1972 LEVEL OFFENSIVE FOR SOME 18-24 MONTHS.

ALSO, RECENT INTERCEPTED MESSAGES INDICATE THAT THE COMMUNISTS HAVE ADDED THREE ADDITIONAL AAA REGIMENTS IN SOUTH VIETNAM BELOW QUANG TRI, THUS DOUBLING THEIR CAPABILITY IN SOUTHERN MILITARY REGION 1 AND IN MILITARY REGIONS 2 AND 3. (STEARMAN/ADAMS)

DRV REACTION TO DECEMBER 6 PRESS CONFERENCE: HANOI HAS RESPONDED AUTHORITATIVELY AND VIOLENTLY TO YOUR DECEMBER 6 PRESS CONFERENCE, PARTICULARLY YOUR REPORTED DESCRIPTION OF THE PRESENT VIETNAM CONFLICT AS A "CIVIL WAR." IN HIS FIRST ARTICLE SINCE APRIL, "COMMENTATOR" (AN ALIAS FOR THE MOST AUTHORITATIVE ANALYST OF IMPORTANT U.S. GOVERNMENT POLICY STATEMENTS) REPEATEDLY EMPHASIZED THAT THE UNITED STATES REMAINS WHOLLY RESPONSIBLE FOR THE CURRENT CONFLICT IN VIETNAM AND FOR THE FULL IMPLEMENTATION OF THE PARIS AGREEMENT. IRONICALLY, "COMMENTATOR" INDICATED STRONG DISPLEASURE OVER U.S. GOVERNMENT NON-INVOLVEMENT WHICH YOUR REMARKS ABOUT "CIVIL WAR" PURPORTEDLY IMPLIED. HE CALLED ON THE UNITED STATES SPECIFICALLY TO END ITS "ILLEGAL SUPPLY OF WEAPONS AND AMMUNITION TO SAIGON, TO WITHDRAW ALL ADVISERS AND TO END FOR GOOD ITS BLATANT THREATS OF A BOMBING RESUMPTION AGAINST THE NORTH." (COMMENT: "COMMENTATOR'S CONCERN WITH YOUR REPORTED "CIVIL WAR" COMMENT SQUARES WITH A MAJOR THEME WHICH DRV PROPAGANDA HAS INCESSANTLY REPEATED SINCE EARLY OCTOBER -- U.S. GOVERNMENT RESPONSIBILITY FOR PEACE IN VIETNAM AND IMPLEMENTATION OF THE AGREEMENT AND COMMUNIQUE. (STEARMAN/ADAMS)

THE WASHINGTON STAR-NEWS: LEADING INTERNATIONAL OIL COMPANIES HAVE PREPARED A NEW ESTIMATE OF EXPECTED U.S. FUEL SHORTAGES WHICH IS APPRECIABLY LOWER THAN THE GOVERNMENT ESTIMATE. SOME INDUSTRY SUPPLY EXPERTS HAVE EXPRESSED TENTATIVE OPTIMISM THAT

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ADEQUATE HEATING OIL SUPPLIES WILL BE AVAILABLE FOR THE WINTER.

JEREMIAH O'LEARY WRITES ABOUT YOUR WARNING TO THE BRITISH, FRENCH, AND WEST GERMAN FOREIGN MINISTERS AGAINST TRYING TO OBTAIN SPECIAL ADVANTAGES FROM THE ARABS IN THE ENERGY CRISIS. YOUR REMARKS BECAME KNOWN THROUGH BRITISH SOURCES.

UPI REPORTS THAT THE ARABS MOVED TO STRENGTHEN THEIR DIPLOMATIC, MILITARY, AND OIL WEAPONS TODAY IN PREPARATION FOR THE GENEVA TALKS. ISRAEL CONCEDED IT MIGHT HAVE "TO COMPROMISE" BUT DENIED ANY U.S. PRESSURE FOR CONCESSIONS.

A FIVE-MAN JUDICIAL COMMISSION HAS BEEN TAKING TOP-SECRET TESTIMONY FROM ISRAELI CABINET MEMBERS, INTELLIGENCE SPECIALISTS, AND GOVERNMENT OFFICIALS TO FIND OUT WHY ISRAEL WAS SO UNPREPARED FOR THE ARAB ATTACK IN OCTOBER. ONE OFFICIAL PREDICTED THE REPORT WOULD BE "POLITICAL DYNAMITE" THAT COULD BRING ABOUT DAYAN'S RESIGNATION.

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